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DE RUEHLB #0393/01 0771427
ZNR UUUUU ZZH
R 171427Z MAR 08
FM AMEMBASSY BEIRUT
TO RUEHC/SECSTATE WASHDC 1306
INFO RUEHEE/ARAB LEAGUE COLLECTIVE
RUCNMEM/EU MEMBER STATES
RHEHNSC/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/USDOC WASHDC

UNCLAS SECTION 01 OF 02 BEIRUT 000393

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STATE FOR NEA/ELA
STATE PASS USTR
TREASURY FOR MNUAGENT AND SBLEIWEISS
USDOC FOR 4520/ITA/MAC/ONE
NSC FOR ABRAMS/SINGH/YERGER

E.O. 12958: N/A

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SUBJECT: LEBANON: WILL LEBANON RECEIVE PROMISED NATURAL GAS?
(ECONOMIC WEEK IN REVIEW, MARCH 10 - 16, 2008)

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LIKELIHOOD THAT LEBANON WILL RECEIVE
NATURAL GAS ON TIME VIEWED WITH SKEPTICISM

11. (SBU) General Manager of the government-owned Tripoli and Zahrani (south Lebanon) Oil Installations Sarkis Hlaiss expressed skepticism that Lebanon will start receiving natural gas through the Arab gas pipeline this summer as announced by Acting Energy Minister Safadi on February 27. Hlaiss told us March 12 that he is waiting to see whether Egypt will actually pump gas to Syria through Jordan on March 21 as announced. Hlaiss explained that Egypt is currently unable to pump gas directly to Lebanon because of low gas pressure. Therefore, Syria will use Egyptian gas and swap it for Syrian gas which will be pumped to Lebanon through the Homs-Tripoli pipeline. Lebanon and Egypt still have to sign the gas contract, and Hlaiss stressed that Lebanon's relationship will be directly with Egypt, with no Syrian involvement. Egypt will guarantee the supply of gas, and Lebanon will pay Egypt directly for it (septel).

MORE TRAINING TO FIGHT TERRORISM FINANCE,
HEAD OF FIU TO VISIT U.S. SOON

12. (SBU) Secretary of the Special Investigation Commission (SIC) fighting money laundering and terrorism finance, Lebanon's Financial Intelligence Unit (FIU), Mohammad Baasiri told us on March 12 that the British FIU will organize a three-day seminar on fighting terrorism finance on March 26 in Beirut. The program will be offered to Lebanese officials at the SIC, the Internal Security Forces (ISF), Customs, and the judiciary. Baasiri also mentioned that the IMF and the Egmont group sponsored a seminar on the use of

Information Technology (IT) to combat terrorism finance two weeks ago. He also noted that the SIC is providing technical assistance to Syria, offering eight sessions on a monthly basis to train Syria's FIU and private banks.

13. (SBU) Baasiri told us that he will be visiting the U.S. on April 28-29 and plans to meet with Treasury, FinCen, and the Federal Reserve to prepare for the U.S. - MENA Private Sector Dialogue, which will take place in Washington, D.C. and New York in October 2008. Baasiri will also attend the next MENA FATF Plenary meeting that will be held on the week of April 7 in Abu Dhabi and will discuss Lebanon's mutual evaluation review scheduled for July 2008.

LEBANESE AMERICAN UNIVERSITY ISSUES \$75 MILLION BOND -----

14. (U) On March 10, the Lebanese American University (LAU) announced that it had successfully issued a \$75 million bond in the U.S., entirely subscribed by Lebanese Byblos Bank. LAU released a statement saying that this is the first time that an American academic institution in the Middle East has ever undertaken a bond issuance. LAU President Dr. Joseph Jabra noted that this will allow it to finance its strategic plans, enabling it to become a pioneering, world-class academic institution.

CDA SISON HOSTS BUSINESS AND ECONOMIC ASSOCIATIONS ROUNDTABLE -----

15. (SBU) On March 13, CDA Sison hosted a roundtable with heads of Lebanon's main private sector business and economic associations. Participants expressed their concerns over current difficulties in US - Lebanon trade relations, including lack of trade finance, less

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USTDA active involvement, fewer programs, and phyto-sanitary standards for Lebanese exports. Attendees suggested the U.S. be more proactive in helping Lebanon adopt international standards, along the lines of EU efforts. Participants hoped that more Lebanese companies could be subcontractors to US companies with contracts in the region, including Iraq, and looked for greater USAID support to the local food industry.

BEIRUT STOCK EXCHANGE ACTIVITY DECLINES IN 2007 -----

16. (U) The Beirut Stock Exchange (BSE) indicated that 2007 total volume dropped by 15.3 percent, while aggregate turnover dropped by 51 percent compared to 2006. Market capitalization rose by 31.2 percent year-on-year, of which 60 percent was in banking stocks and 34.7 percent in real estate company Solidere stocks alone. Banking stocks accounted for 64.3 percent of aggregate trading volume, followed by Solidere with 31.8 percent. In terms of value of shares, Solidere accounted for 65 percent of aggregate value in 2007, followed by bank stocks (31.6 percent), investment funds (2.5 percent), industry (0.6 percent, and trading (0.4 percent).

LEBANESE FRANCHISE ASSOCIATION LAUNCHES ADVERTISING CAMPAIGN -----

17. (U) On March 12, the Lebanese Franchise Association (LFA) held a press conference at the Beirut Chamber of Commerce to launch its advertising campaign. Participants highlighted the important role of Lebanese franchises in promoting Lebanon's image abroad. The LFA is expected to join Post's delegation to the International Franchise Expo in Washington D.C. on April 11-13, 2008.

LEBANON FALLS 11 PLACES IN EUROMONEY'S COUNTRY RISK SURVEY... -----

18. (U) In Euromoney's semi-annual survey of country risk, Lebanon

ranked 127 out of 185 countries worldwide, down 11 places compared to the last survey, conducted in September 2007. Regionally, Lebanon ranked 14 out of 19 MENA countries. The survey uses nine categories, with the highest weight given to political risk and economic performance (25 percent each), followed by debt indicators, debt in default, credit ratings, access to bank finance, access to short-term finance, access to capital markets, and discount on forfeiting. Lebanon's score dropped in all categories except for debt in default and access to short-term finance. Overall, the survey found that the worldwide trend, as in the MENA, has been one of increasing risk.

... AND DROPS IN THE UN
TELECOM INFRASTRUCTURE INDEX

19. (U) The 2008 UN Telecommunications Infrastructure Index ranked Lebanon 76 out of 192 countries worldwide, down from 62 in the previous survey conducted in 2005. Meanwhile, Lebanon ranked 7 out of 19 MENA countries, maintaining the same ranking as in the 2005 survey. The index includes five primary variables reflecting a country's telecommunications: infrastructure capacity, a composite measure of the penetration of personal computers, telephone lines, Internet usage, mobile subscriptions, and broadband.

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